

Testimony of
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Alaska Department of Commerce and Economic Development
Anchorage Field Hearing
Subcommittee on Oceans and Fisheries
Senate Committee on Commerce, Science and Transportation
United States Senate

“The Magnuson-Stevens Fishery Conservation and Management Act “

Madam Chair and members of this Subcommittee:

Thank you for the opportunity to appear before you today to briefly comment on the role of the State of Alaska in the Western Alaska Community Development Quota, or CDQ, program. My name is Jeffrey Bush, and I am the Deputy Commissioner of the Alaska Department of Community and Economic Development. In that capacity, I have served since 1995 as a member of the state’s “CDQ Team”, which implements the CDQ program on the state’s behalf.

The CDQ program is a federal program that allocates a portion of the total-allowable-catch for all federally managed Aleutian Island and Bering Sea groundfish species to eligible communities in western Alaska. The program includes such species as pollock, halibut, sablefish, Atka mackerel, Pacific cod, and crab. Currently, the CDQ program is allocated portions of the groundfish fishery that range from 10% for pollock to 7.5% for most other species. The program was granted a permanent status through the Magnuson-Stevens Act authorized by US Congress in 1996.

Sixty-five communities in the Western Alaska region participate in the CDQ program, which began in 1992. The program started with 56 communities, and in 1997 a 57th community became eligible. In 1999, when it was discovered that statutory miles instead of nautical miles had been used to measure the qualifying distance of 50 miles off the Bering Sea Coast, eight new communities qualified for the program.

In 1990 the population for the CDQ region was 21,400. In 1999, according to Alaska of Department of Labor estimates, the population has increased to approximately 27,000.

The CDQ program is implemented through six regional CDQ groups, or nonprofit corporations, formed from within the region for this purpose. The groups vary in size, representing from one to twenty communities and from approximately 550 to 8750 people.

The northern boundary of the CDQ program reaches into the Bering Straits and includes the communities of Diomedes and Wales. The program boundaries extend southward to the Aleutian Island communities of Atka and Nikolski.

The state's role in oversight is to ensure that the CDQ program is held accountable to its original

mission of promoting economic development and providing ongoing opportunities for Western Alaska residents. This is done by working with CDQ groups in the development of their community development plans, monitoring group performance to ensure compliance with the intent of the program, and rewarding successful performance through the allocation process. The state also frequently acts as an advocate on behalf of the CDQ program in both the federal and state arenas.

The CDQ program overall is still relatively new and by most measures it has been quite successful. It provides approximately 1,000 jobs annually for western Alaska residents. Total wages paid under the program have been more than \$30 million. The annual royalty returns to the groups are also in the \$30 million range. Collectively the assets of the six groups have grown to over \$100 million.

The CDQ program is administered jointly by the Alaska Department of Community and Economic Development, which is the lead agency, and the Department of Fish & Game.

The goal of the CDQ program is to provide fishery related economic opportunities for western Alaska residents. As we approach the ninth year of the program, we have seen a steady increase in the economic opportunities being provided. More seafood related jobs are being made available in all sectors of the industry including marketing and management. Education funding and training opportunities continue to increase.

Since the 1996 reauthorization of the Magnuson/Steven's Act and the CDQ program being granted a permanent status, and with the subsequent passage of the American Fisheries Act, CDQ groups have also begun to focus on increasing their ownership in the Bering Sea fisheries industry. Several CDQ groups have purchased interests in various catcher/processor vessels and factory trawlers and more investments are expected.

As of 1999, it is estimated that the CDQ groups have ownership of approximately two-percent of the fish processing capital in the Bering Sea industry.

At this point, I would like to comment on a couple provisions within the Magnuson/Steven's Act.

M-S Act sec. 305, 16 U.S.C. 1855 (i)(3), requires the establishment of a fee system to recover the actual costs directly related to the management and enforcement of the CDQ program. The fee may not exceed 3 percent of the ex-vessel value of fish harvested. Section 304(d)(2)(ii) provides that the Secretary [of Commerce?], shall transfer to the state up to 1/3 of any fee collected for management and enforcement of the program.

The Secretary of Commerce has yet to implement a CDQ fee system. The state, however, has met with federal officials and CDQ group representatives to discuss the implementation of a CDQ fee through the enactment of state statutory authority. I am pleased to report that the CDQ groups have agreed to a formula for a state fee system that would apportion the cost of

state oversight and monitoring between the six groups, and a bill is being prepared for introduction in the State legislature.

M-S Act sec. 305 note requires the National Academy of Sciences (NAS), in consultation with the Secretary and the North Pacific Management Council, to evaluate the extent to which the CDQ program has met the objective of providing communities the means to develop ongoing commercial fishing activities. This NAS report, issued in 1998, concludes that the program is generally effective in accomplishing the goals of providing communities the means to develop ongoing commercial fishing activities, create employment, attract capital, develop infrastructure, and in general promote positive social and economic conditions.

Several additional points were raised in the NAS report that I would like to address at this time:

NAS Comment:

- Lack of open, consistent communication between the CDQ groups and the communities they represent.

Response:

The state is sensitive to this important aspect of the program. In response, the state revised the CDQ program regulations to require the groups to formulate and implement a communications and outreach plan with their respective member communities. Each CDQ group must inform the communities of the group's activities and facilitate community input throughout the implementation of the business program.

Also in response to this NAS report, several CDQ groups have developed newsletters and instituted a more aggressive in-region travel policy. One group has begun sponsoring an annual CDQ conference to communicate directly with in-region residents.

NAS Comment:

- Lack of outreach by the state to the communities to help ensure that the communities and their residents are aware of the program and how to participate.

Response:

The state has recently consolidated the CDQ staff into a single office and will be focusing more attention and resources on attending CDQ board meetings held in the region. The state's Internet site has also been improved and includes the quarterly reports submitted by the CDQ groups.

NAS Comment:

- The state should consider allowing CDQ groups some flexibility in making non-fisheries related investments that otherwise demonstrate direct benefits to the region.

Response:

This is a very important issue for the CDQ groups, which are expanding rapidly in size and investment capabilities and see a future need for greater flexibility in their investment choices. The state is cognizant of the growing need for greater investment flexibility and is working with the groups and the North Pacific Fisheries Management Council to allow other limited forms of non-fisheries related investments, provided such investments are shown to directly benefit region residents.

NAS Comment:

- The CDQ program will need to give more emphasis to environmental considerations.

Response:

The state has addressed this issue through the 1999 regulations rewrite. CDQ program standards now clearly state that each CDQ group must demonstrate, to the greatest extent possible, that it has promoted conservation-based fisheries by taking actions that will minimize bycatch, provide for full retention and increased utilization of the fishery resource, and minimize impacts to essential fish habitats.

In conclusion., I wish to again thank you, Madam Chair, for the opportunity to address this committee regarding this exciting and very successful program. Congress, the federal government, the state of Alaska, and the people of Western Alaska can all be proud of the benefits realized as a result of the CDQ program.